

CIRELLI FOODS, INC.

www.cirelli.com

UPDATE



KEY PERSONNEL

Executive Officers

President, CEO:	Paul J. Morrissey, Jr.	Director of Operations:	Robert LaCasse
CFO:	Klaus Nygaard	SVP, New Business:	John J. Cirelli
EVP, Information Systems:	John Kelleher	SVP, Business Development:	Jay Cirelli
VP, Marketing, Sales:	Jane Brett	Director of Purchasing:	Joe Cirelli

GENERAL INFORMATION

Headquarters:	30 Commerce Blvd Middleboro, MA 02346-1030	Total Sales:	\$70.0 million
Telephone:	(508) 947-8778	Foodservice Accounts Served:	4,000
Year Founded:	1946	Market Areas:	CT, MA, ME, NH, NY, RI
Dist. Centers:	1	Primary Customers:	Restaurants and Institutional Accounts

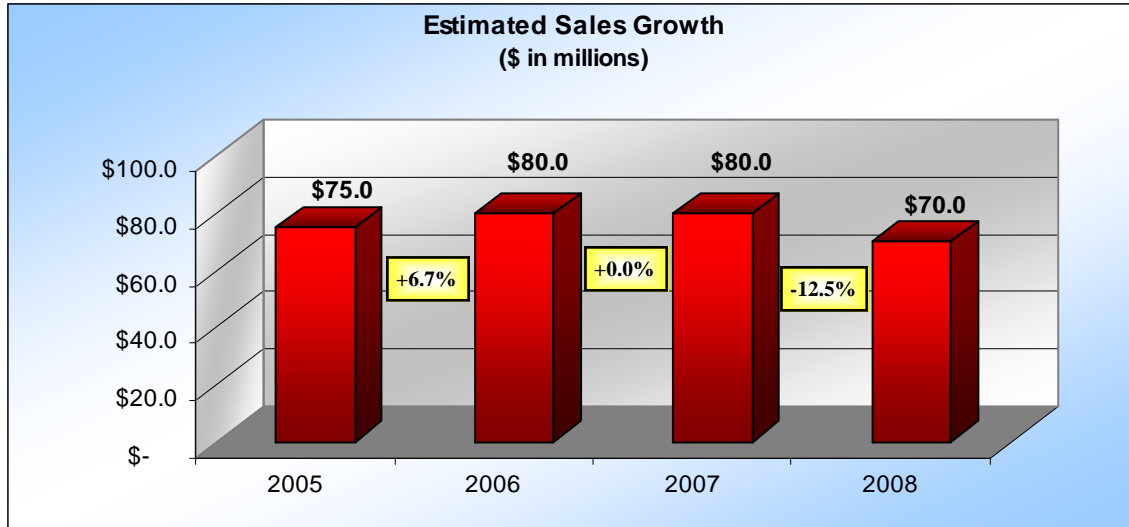
WHAT'S HAPPENING

- In a conversation with **F&D Reports**, CFO Klaus Nygaard indicated that the Company's 2008 sales declined 12.5% to \$70.0 million. Mr. Nygaard attributed the decrease to the intentional elimination of lower margin business and a significant slowdown in business during the final three months of 2008. Despite the decline in sales, Mr. Nygaard indicated that the Company posted a profit following break-even earnings in 2007. In 2006, the Company experienced a decline because of mismanaged debt from moving into its new facility and the loss of a major customer. Cirelli Foods then brought in current CEO Paul Morrissey, who focused on restructuring, including the removal of an underperforming coffee and juice machine business, saving an estimated \$100,000 annually. Mr. Nygaard also indicated that the Company's current inventory turnover is 12 times.
- In March 2009, the Company acquired Savage & Co., an independent baking distributor located in Framingham, MA. The deal allows Cirelli to offer Savage's complete line of products to its existing customers, including those at Cirelli Marketplace. It also gives Savage customers access to over 10,000 Cirelli products. Savage's sales and purchasing personnel will stay with the Company. Management indicated that the added business is expected to contribute upwards of \$10.0 million in annual sales.
- In December 2008, Cirelli Foods named Klaus Nygaard CFO, replacing Rich Landry, who remains with the Company as a consultant. Mr. Nygaard previously served as VP of finance at U.S. Foodservice. In July 2008, John Santos was named general manager of Cirelli's Marketplace, the Company's retail division. Under his direction, Cirelli's Marketplace launched its first farmer's market, which lasted through October. Other executive appointments include Jay Cirelli, who was named SVP of business development, and Jane Brett, who was named VP of sales and marketing in July 2007. Mr. Cirelli previously served as EVP of the Company, and Ms. Brett has served in various capacities, including as multi-unit group account manager.
- Cirelli Foods is currently caught up in a suit between the town of Middleboro and Terrence Conroy, a developer with Conroy Development. Mr. Conroy proposed a 250-unit residential project adjacent to the Company's headquarters, which is on land owned by Mr. Conroy. In October 2007, Mr. Conroy filed the suit against the town planning board, arguing that Cirelli Foods, a tenant, is responsible for roadwork. He also filed a suit against the zoning board of appeals, which amended a permit that had originally allowed him to build his proposed residential project. The town has protested the project, saying the space is supposed to be used for manufacturing, warehousing and research, and since it already builds its mandatory number of housing units annually, it has the right to deny the project.

Robert Marzo, Senior Analyst (800) 789 - 0123 ext. 173

SALES GROWTH

Cirelli Foods' sales have fluctuated over the past few years, as shown in the graph below. Sales decreased 12.5% in 2008 to \$70.0 million.



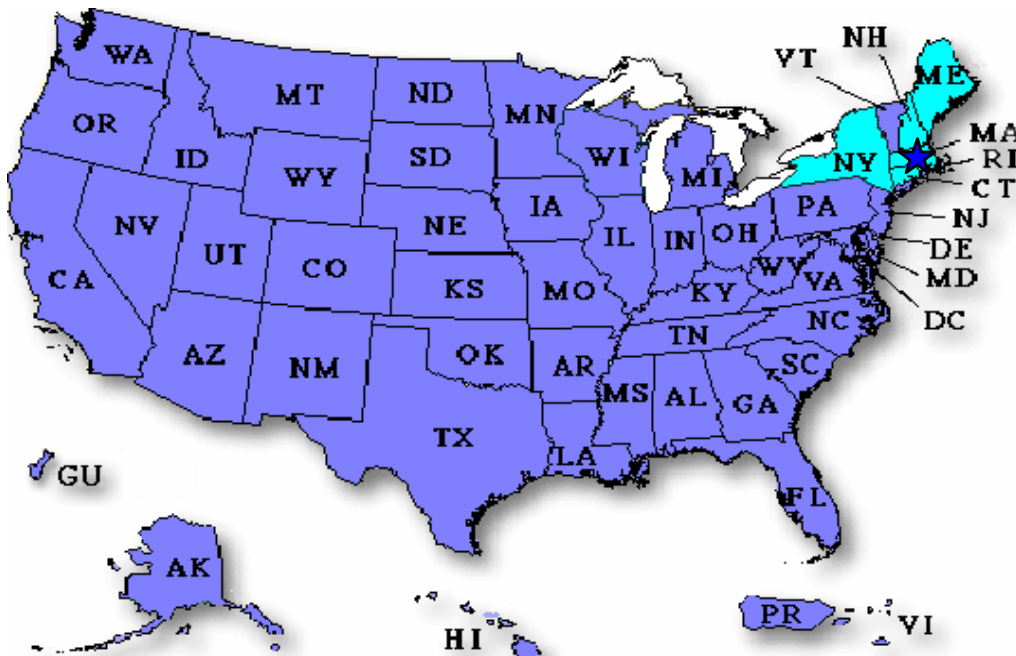
TOP COMPETITORS

- Performance Food Group - Sales of \$10.00 billion
- Agar Supply - Sales of \$570.0 million
- SYSCO - Sales of \$37.52 billion
- Perkins Paper - Sales of \$388.0 million



U.S. MARKET PRESENCE

Cirelli Foods services customers in Maine, New Hampshire, Massachusetts, Rhode Island, Connecticut and New York through its on-site distribution center in Middleboro, MA. The Company also operates its Cirelli Warehouse Marketplace.



COMPANY BACKGROUND & HISTORY

In 1946, John Cirelli began selling Italian food products door to door in the Brockton, MA area under the Cirelli Foods Inc. name. Restaurant owners, intrigued by the quality and selection of Cirelli's products, soon became customers as well as the main focus of the Company. The business grew rapidly, and John Cirelli's three brothers joined the team forming one of New England's largest independent foodservice distributors. Today, Cirelli Foods services over 4,000 customers in Maine, New Hampshire, Massachusetts, Rhode Island, Connecticut and New York. Cirelli's customer base includes independent restaurants, multi-chain units, schools, healthcare facilities, non-profits and other foodservice operations. Just like its main competitors, Cirelli maintains a full line of foodservice products including beverages, bulk foods, ethnic foods, dairy products, and equipment. The Company's services include summary reporting, menu concept/development, product training and dietitian consulting.

In 2006, Cirelli Foods moved out of its 60,000 square-foot Brockton distribution center into its current 130,000 square-foot headquarters in Middleboro, MA, which cost \$13.0 million. In addition to the Company's foodservice distribution, Cirelli operates a 17,000 square-foot market known as Cirelli Warehouse Marketplace. The market is located inside the distribution center. The Cirelli Warehouse marketplace is open to foodservice operators as well as the general public, with no membership fee, and offers over 2,000 on-shelf products and access to any of the 7,500 warehoused items.

Cirelli Foods, still owned and run by the Cirelli family, utilizes a fleet of 24 trucks to service its customers. The Company is also a member of buying group Unipro Foodservice.

BANK & LIEN SEARCHES

- **Cirelli Foods maintains a \$10.0 million secured credit facility with Citizens Bank of Massachusetts in Boston, MA, which matures in 2011. According to Cirelli Foods' CFO, Klaus Nygaard, the Company has between \$2.5 million and \$3.5 million in current availability. The Company remains in compliance with all financial covenants.**
- **Additional UCCs filed for leased equipment.**
- **There are currently no tax liens or material lawsuits pending against Cirelli Foods.**

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